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CENTRAL INTELLIGENCE AGENCY

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1. After the start of the Soviet occupation of Germany the Communist-controlled German administration, in cooperation with the SMAD, decreed numerous expropriations of private industries in 1945. The allied law on the expropriation of Nazis and war criminals was welcome pretext to nationalize the most important industrial plants regardless of the actual guilt of the owner. At first, the confiscated plants were registered in A-, B- and C-lists. A-listed confiscated plants had become provincial plants; B-listed plants were still doubtful cases subject to further investigation; C-listed plants were to be transferred to Soviet ownership.
2. The Soviet Corporations, composed of about 200 of the most important Soviet Zone plants, were established in mid-1946. About 80 plants of doubtful profit were returned to the Soviet Zone by Marshal Sokolovski early in 1948 with much publicity. All remaining C-listed plants were returned to the Soviet Zone as provincial plants by the SMAD order No 64 of 17 April 1948 (order on the abolition of the C-list). On this occasion it was revealed that a number of plants not subject to the interallied law on the expropriation of Nazis and war criminals had been entered on the C-lists. Thus, it was possible to transfer these plants from private to state ownership. The same measure was taken for the B-list. Very few plants entered on the B-list were returned to their previous owners. These nationalized plants (the Soviet Corporation plants excluded) were combined as provincial plants in a special organization of the Ministry of Economics of the five Soviet Zone Laender (Thuringia, Saxony, Saxony-Anhalt, Brandenburg and Mecklenburg) and of the Berlin Soviet Sector.
3. The German Economic Commission completely reorganized the expropriated German plants in the middle of 1948. The most important plants were combined in the VEB (Z) (nationalized zonal plants) regardless of former land ownership; the less important plants were combined in the VEB (L) (nationalized provincial plants). The VEB (Z) plants are under the direct management of the German Economic Commission while the VEB (L) plants continue to be managed by the Ministry of Economics of the different Soviet Zone Laender.

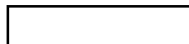
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4. There are also "KWU" plants ("Kommunale Wirtschaftsunternehmen" - Communal Industrial Enterprises) which are pure community plants.
5. Soviet Zone craftsmen were organized into cooperatives to facilitate the assignment and control of craftsmen for the reparations and production program of the Soviets and the SED Party.
6. The nationalized plants represent only about eight percent of the total Soviet Zone plants. However, they account for about 50 percent of the Soviet Zone industrial output. As the production of the 120 Soviet Corporation Plants can be estimated at 25 to 27 percent of the total Soviet Zone production, the production share of the Soviet Zone private industries is only 25 to 30 percent.

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